Nova Scotia Department of Finance

1997-98
Highlights of Outcome Measures

It is the mission of the Department of Finance to establish a fiscal climate conducive to economic growth and to provide policy direction to and effective management of the Province's finances, government procurement, and pensions administration.

The Government's four priorities: fiscal stability, social responsibility, economic renewal and responsive government are reflected in the Department's goals as shown in the following Outcomes table.

The Department pursues these goals through its core business functions: Financial Management; Investments Pensions, and Debt Management; Policy Development; Procurement; and Corporate Services. The tables and graphs represented here clearly outline a movement over the past few years from a position of high deficits and steadily mounting debt loads to the current position of surpluses and debt reduction.

As a consequence of this overall trend, Nova Scotia indicators on the ratio of debt per GDP are showing improvement. Our economy had become overburdened by debt; by the turn of the century, that burden will be falling in line with what is deemed to be more acceptable levels.

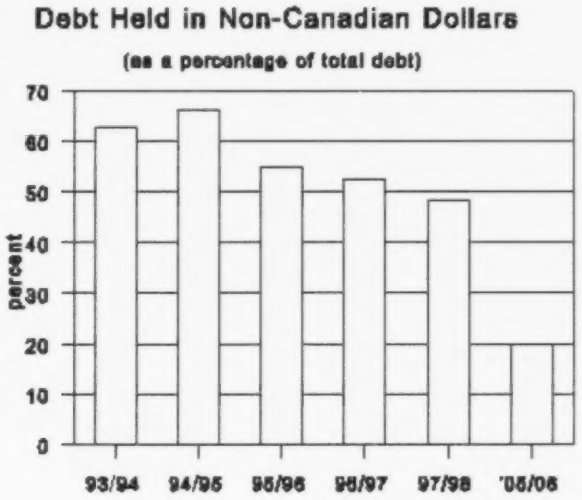
Total Number of Employed Persons

Over the past few years the government has made an improved business climate a major feature of its effort to create jobs. Many businesses see deficits as meaning tax increases in the future and this fear of higher future taxes acts as a disincentive to make permanent investments. Through fiscal stability and tax incentives, such as the HST, the Manufacturing and Processing Investment Tax Credit, the Equity Tax Credit, and the Film Tax Credit, economic growth in Nova Scotia is expected to accelerate over the next few years. Growth in the Canadian economy is also expected to act as a stimulus in Nova Scotia during the period out to the year 2005/06. Employment is normally linked closely to economic growth and thus is expected to also reach record levels in this period.

Currency Diversity of Debt

All forms of debt have risks associated with them. Long term borrowings have certainty of payments but have cost the province considerably now that long-term interest rates have fallen. Similarly, the province has seen the cost of servicing foreign currency debt soar as the value of the Canadian dollar fell. It now takes more Canadian dollars to repay both the interest in foreign currencies as well as the debt itself, once it comes due.

In this environment, it is prudent to reduce the amount of debt held in foreign currencies, but at the same time the schedule of such a reduction needs to be flexible. Accordingly a long term goal of reducing our exposure to foreign currencies from approximately 50% to 20% is established for the year ending 2005, but the timing of how fast this reduction is accomplished will depend to a certain extent on market conditions.

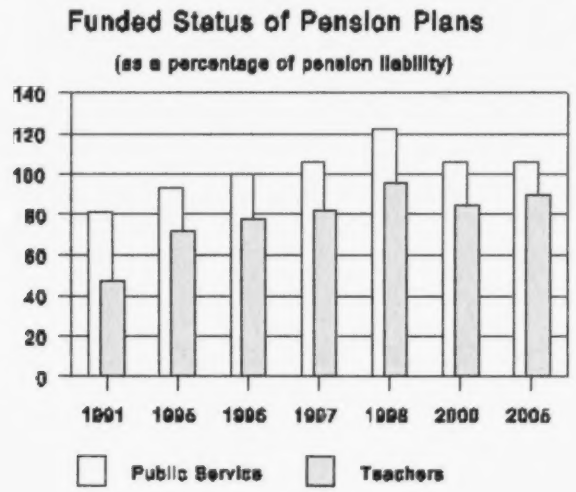


Funded Status Government Pension Plans

The unfunded liabilities in the province's two major pension plans, Teachers' Pension Plan and the Public Service Superannuation Fund, have been of major concern in recent years. An unfunded liability means there are insufficient funds to meet present and estimated future obligations of the plans. In other words, there was some doubt about the security of the pensions, especially in the case of the Teachers Plan. In 1991 the unfunded liability reached 53% with a funding ratio of only 47%.

Through increased contributions by the Government and the teachers, and active investment management, the Teachers Pension plan is now on the road to recovery. As of March 31, 1998 the funding of the plan is estimated to have reached 96%. This achievement is ahead of the original schedule.

In the case of the Public Service Superannuation Fund, the distance traveled is not as great, but the outcome is well worthwhile. From a low of only 81% funding in 1990, the pension plan for most public servants is estimated to be over funded as of March 31, 1997. Changes have been made to the Public Service plan to reduce the funded status below the 110% level. This outcome is expected to be maintained into the year 2005.



Outcomes

Outcome	Indicator	Measure	Target/Trend/Comparison						Comment
Strategic Goal: Financial Accountability and Enhanced Fiscal Position									
Improved Fiscal Climate	Budgetary Surplus	Revenue versus Expenditure		**1993/94**	**1995/96**	**1997/98**	**2000/01**	**2005/06**	This measure shows increased control of the budgeting and expenditure process. Small surpluses show a balance between maintaining programs while paying down debt.
			$ millions	(546.9)	(201.1)	38.5	6.0	30.0	
	Investor Confidence (money market, indirect investment)	Standard & Poor's Ratings		**1994**	**1995**	**1996**	**2000**	**2005**	Controlled spending and improved debt management have contributed to credit rating improvements which are expected to continue.
			Rating/Outlook	A-/Neg	A-/Neg	A-/Stable	A /Stable	A+ /Stable	
	Expenditure Control	Additional Appropriations		**1995/96**	**1996/97**	**1997/98**	**2000/01**	**2005/06**	Improved expenditure controls combined with legislative limits will reverse the trend of increased additional appropriations. These additional appropriations were offset by a combination of increased revenues and expenditure savings in other areas.
			Value ($ millions)	145.1	165.3	222.7	43.0	43.0	
			Number	17	13	19	10	8	
Employment and Income Growth with Fair Taxation	Economic Expansion	Level of Growth in Domestic Product		**1995**	**1996**	**1997**	**2000**	**2005**	Real Domestic Product (RDP) is a standard measure of economic growth.
			RDP in Million $ 1992 base	16,097	16,174	16,493	17,950	20,100	
		Employment Growth		**1996**	**1997**	**1998**	**2000**	**2005**	Employment gains have been steady and are expected to keep pace with economic growth.
			Employment ('000)	385.0	391.9	406.0	410.0	445.0	
		Tax Burden by Income Class		**1991**	**1992**	**1993**	**1994**	**1995**	Average provincial individual personal income taxes, as a percentage of assessed income by income class for Nova Scotia by selected income ranges, shows that the provincial tax burden is decreasing for most people and they therefore have more disposable income to spend.
			$1 - $9,999	1.8%	1.8%	1.7%	1.3%	1.1%	
			$10,000 - $19,999	4.2%	5.2%	3.9%	3.5%	3.5%	
			$20,000 - $29,999	5.7%	5.5%	5.5%	5.5%	5.5%	
			$30,000 - $49,999	8.0%	7.6%	7.5%	7.2%	7.3%	
			$50,000 - $79,999	9.6%	9.3%	9.2%	8.1%	9.1%	
			$80,000 and up	12.7%	11.7%	11.5%	9.9%	11.7%	

Strategic Goal: Reduced Debt Burden to Nova Scotia

				1996	1997	1998	2000	2005	
Reduced Debt	Reduced Provincial Debt Relative to Provincial Economy	Net Direct Debt as a % of GDP	Debt as % of GDP	44.3	42.3	39.4	36.4	31.0	This measure assesses the ability of the provincial economy to carry the debt load. Steady improvement is both required and projected over the next seven years.

Strategic Goal: Effective Money Management

				1997/98	1998/99	1999/00	2000/01	2001/02	
Reduced Net Debt Service Costs	Reduced Net Debt Servicing Costs	Net Debt Servicing Cost as a Percent of Net Debt	Net Debt Servicing Costs as % of Gross Net Debt	7.7%	7.8%	7.9%	8.0%	7.9%	Includes costs such as interest paid, foreign exchange gains/losses, less interest earned on sinking funds and public debt retirement funds. Over the longer term, interest rates are projected to increase compared to current levels.

				1995/96	1996/97	1997/98	2000/01	2005/06	
Reduced Risk Tolerance	Foreign Exchange Exposures	Currency Diversity of Debt	Debt Held in non-Canadian Dollars	54.8%	52.4%	48.3%	n/a	20.0%	A balanced portfolio, with reduced foreign debt holdings, is desirable to reduce the inherent uncertainty of floating foreign currency exchange rates. Achieving reduced foreign holdings targets must be balanced with the cost of converting to domestic markets.

Strategic Goal: Safeguard Pension Entitlement

High Level of Security for Plan Members	Financial Strength of Public Sector Pension Plans	Funded Status, Teachers Pension Plan and Superannuation Plan		**1996**	**1997**	**1998**	**2000**	**2005**	This measure shows the strength of each plan to meet the pension payout requirements of those enrolled in the plan. Above average earnings and negotiated settlements have resulted in dramatic improvements for these two plans. Changes have been made in the Public Service plan to reduce the funded status below the legislated 110% level.
			Public Service	100%	106%	122%	106%	106%	
			Teachers	78%	82%	96%	98%	100%	
Security of Retirement Income for Members of Private Pension Plans	Security of Private Sector Pensions	% of Active Employees Covered by Pension Plans Registered with the Province, that are Considered Secure	January 1	**1995** 92.5%	**1996** 93.0%				68,000 employees in Nova Scotia, excluding teachers and civil servants, are members of registered pension plans. This measure shows the percentage of these employees that are part of a secure plan (a funded status of over 90%).

Strategic Goal: Cost Effective Procurement

Vendor Accessibility	Participation	No.of Firms Bidding on Government Business Opportunities		**1997/98**	An increase in the number of firms doing business with government is seen as a measure of a fair and open process. New systems installed in 1997/98 allowed a baseline to be established.
			Number of tenders	5,000	
			Average bidders per tender	12	
Reduced Costs of Acquisition	Competition	Percentage of Procurement Conducted by Fully Public Process (Tender)		**1997/98**	Increased competition can reduce the cost of goods and services acquired by government. New systems installed in 1997/98 allowed a baseline to be established.
			Value (%)	95%	